

**NEIGHBORHOOD
PARTNERSHIPS, INC.**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2010**



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Neighborhood Partnerships, Inc.
Portland, Oregon

We have audited the accompanying statement of financial position of Neighborhood Partnerships, Inc. (a nonprofit corporation) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Neighborhood Partnerships, Inc.'s 2009 financial statements and, in our report dated September 14, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Partnerships, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McDonald Jacobs, P.C.

September 28, 2010 *Strength in Numbers*

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NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2010
(With comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 1,275,179	\$ 1,478,093
Restricted cash - Oregon IDA Initiative	4,804,097	2,388,046
Certificate of deposit	-	103,517
Grants and accounts receivable	383,279	494,531
Prepaid expenses and deposits	27,601	15,149
Property and equipment, net	<u>22,752</u>	<u>34,688</u>
 TOTAL ASSETS	 <u>\$ 6,512,908</u>	 <u>\$ 4,514,024</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 112,638	\$ 207,905
Deferred revenue	10,358	171,409
Oregon IDA Initiative funds	900,672	996,046
Grants payable - Oregon IDA Initiative	3,903,425	1,392,000
Grants payable - other	<u>743,266</u>	<u>1,052,216</u>
 Total liabilities	 <u>5,670,359</u>	 <u>3,819,576</u>
Net assets:		
Unrestricted:		
Available for operations	217,599	178,086
Net property and equipment	<u>22,752</u>	<u>34,688</u>
Total unrestricted net assets	240,351	212,774
Temporarily restricted	<u>602,198</u>	<u>481,674</u>
 Total net assets	 <u>842,549</u>	 <u>694,448</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,512,908</u>	 <u>\$ 4,514,024</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010
(With comparative totals for 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Oregon IDA Initiative:				
IDA contributions raised in current year	\$ -	\$ 4,676,557	\$ 4,676,557	\$ 4,118,362
Prior contributions received and obligated	-	-	-	278,638
Program fees	444,027	-	444,027	330,522
Grants obligated or paid	-	(4,288,797)	(4,288,797)	(4,397,000)
Less outstanding donor designations	-	(387,760)	(387,760)	-
Net IDA initiative revenues	444,027	-	444,027	330,522
Foundation grants	20,000	803,000	823,000	321,937
Other contributions and grants	912	81,933	82,845	125,807
Government grants and contracts	800,124	-	800,124	827,979
Training and program fees	29,284	-	29,284	1,932
Interest income	9,233	-	9,233	27,677
Other income	2,286	-	2,286	-
Net assets released from restrictions:				
Satisfaction of purpose restrictions	764,409	(764,409)	-	-
Total support and revenue	2,070,275	120,524	2,190,799	1,635,854
Expenses:				
Program services	1,884,688	-	1,884,688	2,750,642
Management and general	137,717	-	137,717	112,416
Fundraising	20,293	-	20,293	9,729
Total expenses	2,042,698	-	2,042,698	2,872,787
Change in net assets	27,577	120,524	148,101	(1,236,933)
Net assets:				
Beginning of year	212,774	481,674	694,448	1,931,381
End of year	\$ 240,351	\$ 602,198	\$ 842,549	\$ 694,448

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2010
(With comparative totals for 2009)

	Program Services										
	Bridges to Housing	Resident Services	Conferences and Training	IDA Program	Policy and Advocacy	Other Programs	Total Program Services	Management and general	Fund- raising	2010 Total	2009 Total
Salaries and related expenses	\$ 65,973	\$ 6,537	\$ 25,995	\$ 171,262	\$ 16,665	\$ 58,744	\$ 345,176	\$ 114,210	\$ 16,961	\$ 476,347	\$ 435,076
Grants and program contracts	1,117,316	110,498	39,516	122,567	47,411	2,257	1,439,565	1,302	1,175	1,442,042	2,290,563
Professional fees	1,008	11	378	4,323	342	1,928	7,990	2,537	447	10,974	15,583
Program supplies	-	-	484	38	50	50	622	-	-	622	312
Rent	4,547	295	1,512	10,861	1,003	3,515	21,733	7,845	962	30,540	29,644
Telephone and utilities	588	40	204	2,104	131	458	3,525	1,016	124	4,665	5,201
Postage and shipping	117	4	28	2,679	20	76	2,924	208	28	3,160	5,248
Printing	718	13	135	8,458	43	876	10,243	1,422	43	11,708	10,764
Office and computer expense	1,252	55	293	2,204	464	903	5,171	2,201	218	7,590	21,358
Facility rental, lodging, and food	749	-	5,063	650	270	3,002	9,734	-	-	9,734	4,901
Staff travel	241	16	346	2,512	622	1,239	4,976	181	-	5,157	7,010
Conferences and meetings	1,432	248	540	2,965	1,906	4,859	11,950	1,925	-	13,875	23,360
Insurance	602	41	209	1,434	132	467	2,885	1,037	125	4,047	3,866
Depreciation	798	49	246	13,560	151	605	15,409	1,352	140	16,901	16,139
Miscellaneous	447	28	109	1,849	84	268	2,785	2,481	70	5,336	3,762
Total expenses	<u>\$ 1,195,788</u>	<u>\$ 117,835</u>	<u>\$ 75,058</u>	<u>\$ 347,466</u>	<u>\$ 69,294</u>	<u>\$ 79,247</u>	<u>\$ 1,884,688</u>	<u>\$ 137,717</u>	<u>\$ 20,293</u>	<u>\$ 2,042,698</u>	<u>\$ 2,872,787</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2010
(With comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 148,101	\$(1,236,933)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	16,901	16,139
(Increase) decrease in:		
Grants and accounts receivable	111,252	443,444
Prepaid expenses	(12,452)	7,313
Increase (decrease) in:		
Accounts payable and accrued expenses	(95,267)	133,277
Deferred revenue	(161,051)	157,350
Grants payable	(308,950)	249,712
Net cash used in operating activities	<u>(301,466)</u>	<u>(229,698)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,965)	(1,186)
Withdrawal of (additions to) certificate of deposit	<u>103,517</u>	<u>(2,736)</u>
Net cash provided by (used in) investing activities	<u>98,552</u>	<u>(3,922)</u>
Net decrease in cash and cash equivalents	(202,914)	(233,620)
Cash and cash equivalents - beginning of year	<u>1,478,093</u>	<u>1,711,713</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,275,179</u></u>	<u><u>\$ 1,478,093</u></u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

1. DESCRIPTION OF ORGANIZATION

Neighborhood Partnerships, Inc. (NP or the Organization) is an Oregon nonprofit corporation which was incorporated as a separate entity as of December 31, 1998. Prior to incorporation, NP operated as a fund of The Oregon Community Foundation (OCF). NP operated as a 501(c)(3) supporting organization of OCF from 1998 until 2006. NP changed its classification from a supporting organization of OCF to a publicly supported charitable organization in 2006 and received an advance ruling from the Internal Revenue Service dated December 5, 2006.

The Organization receives support from public and private foundations, government agencies, and corporations. During the year ended June 30, 2010, NP received approximately 63% of total support from four entities, and during the year ended June 30, 2009, NP received approximately 63% of total support from two entities.

NP's programs support three primary goal areas:

- To give communities tools and resources to thrive,
- To move families out of homelessness and poverty,
- To create family economic stability and build family financial assets.

To Give Communities Tools and Resources to Thrive:

Policy and Advocacy: Through the Organization's policy and advocacy efforts, it builds ongoing relationships with decision leaders and inspires them with a passion for community development. Research, creativity, and proven approaches are used to develop NP's proposals. Neighborhood Partnerships acts as a convener for the statewide Housing Alliance, which acts to educate policy makers and advocate for affordable housing needs within state government. Because of NP's work to bring diverse parties together, the Organization has seen a remarkable shift in attention to housing needs and a new commitment to providing critical funding streams for communities. NP's work on homelessness and asset-building also fuels this policy work, and helps the Organization develop, test, and promote strategies that work across systems and traditional funding streams.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

1. DESCRIPTION OF ORGANIZATION, Continued

Training and Technical Assistance (Conferences and Training): NP's training and technical assistance program has two prongs. First, NP delivers training and technical assistance to maintain the excellence of our initiatives, including the Oregon Individual Development Account Initiative and Bridges to Housing. Second, NP nurtures collaborative, thoughtful, creative leaders and support them as they strive to re-imagine new delivery systems and program models in a persistent effort to improve the lives of low-income Oregonians.

To Move Families out of Homelessness and Poverty:

Bridges to Housing: The nationally-recognized Bridges to Housing program serves high need homeless families in Clark County, Washington, and in Clackamas, Multnomah, and Washington counties in Oregon. The Bridges to Housing model allows local governments and private foundations to leverage their resources and supports service providers as they work to improve the lives of high need families. Bridges to Housing provides housing, intensive services, and child care in an effort to move families out of crisis and keep future generations out of homelessness. NP served approximately 190 families in 2010, while inspiring systems change and improving case management.

To Create Family Economic Stability and Build Family Financial Assets:

IDA Program: Neighborhood Partnerships is the non-profit administrator for the State of Oregon's Individual Development Account (IDA) Tax Credit Program. Contributions to NP are allocated to a network of partner organizations that provide financial literacy training, financing for education, micro-enterprise development support, and help with homeownership. In 2010, NP received \$4.7 million in donations for this program, which will help more than one thousand additional low-income Oregonians across the state increase their financial education and stability by saving for and purchasing an asset. Partners offering IDAs operate in 29 counties in Oregon, and are rapidly expanding to cover every community in the state.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Restricted cash includes cash restricted to the Oregon IDA Initiative (Note 6).

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation of property and equipment is computed on the straight-line method based on estimated useful lives of three to ten years.

Grants and Accounts Receivable

Unconditional grants received from other organizations are recorded as revenue when the Organization is notified of the award. Grants and accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Deferred Revenue

Proceeds from trainings and conferences are recognized as revenues in the period the event occurs. Amounts received in advance for trainings and conferences are recorded as deferred revenue. Proceeds from contracts are recognized as revenues in the period the services are provided. Amounts received in advance for contract services are recorded as deferred revenue.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued

Grants Payable

Grants payable to other organizations are recorded as expense when they are approved by the Board of Directors for payment.

Unrestricted and Restricted Support, Revenues, and Contributions

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions when the restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished).

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

Neighborhood Partnerships, Inc. is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

Summarized Financial Information for 2009

The accompanying financial information as of and for the year ended June 30, 2009 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. In addition, prior year comparative amounts on the statement of activities reflect the gross amounts received and amounts obligated of agency transactions.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through September 28, 2010, the date the financial statements were available to be released.

3. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable at June 30, 2010 and 2009 are unsecured and consist of the following:

	<u>2010</u>	<u>2009</u>
Grants	\$ 125,000	\$ 125,000
Government contracts	170,014	223,738
Program service fees (IDA administration and other)	<u>88,265</u>	<u>145,793</u>
Total grants and accounts receivable	\$ <u>383,279</u>	\$ <u>494,531</u>

Grants and accounts receivable are
receivable as follows:

Within one year	\$ 308,279	\$ 494,531
In two to five years	<u>75,000</u>	<u>-</u>
Total	\$ <u>383,279</u>	\$ <u>494,531</u>

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 99,041	\$ 98,201
Software	<u>39,345</u>	<u>35,220</u>
Total property and equipment	138,386	133,421
Less accumulated depreciation	<u>115,634</u>	<u>98,733</u>
Property and equipment, net	\$ <u>22,752</u>	\$ <u>34,688</u>

5. LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit with Wells Fargo Bank. The line of credit bears interest at prime plus 2.0% and is payable on demand. There were no outstanding advances on the line at June 30, 2010 or 2009.

6. AGENCY TRANSACTIONS - OREGON IDA INITIATIVE FUNDS

The Organization markets and administers the Oregon Individual Development Account Initiative (IDA Initiative). The Organization collects contributions to the IDA initiative on behalf of state-selected fiduciary organizations. Contributions received under the IDA program are recorded as agency transactions and included as a liability (Oregon IDA initiative funds) on the statement of financial position until obligated to the fiduciary organizations. The statement of activities reflects the gross amounts received under the initiative, amounts obligated to the fiduciary organizations, and program fees earned by the Organization.

The Oregon IDA initiative liability at June 30 is as follows:

	<u>2010</u>	<u>2009</u>
Oregon IDA Initiative funds	\$ 900,672	\$ 996,046
Grants payable - Oregon IDA Initiative	<u>3,903,425</u>	<u>1,392,000</u>
Total Oregon IDA Initiative liability	\$ <u>4,804,097</u>	\$ <u>2,388,046</u>

Grants payable through the IDA initiative are payable within one year.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

7. GRANTS PAYABLE- OTHER

Grants payable - other at June 30 are payable as follows:

	<u>2010</u>	<u>2009</u>
Within one year	\$ 594,623	\$ 841,246
In two to five years	<u>148,643</u>	<u>210,970</u>
Total grants payable	\$ <u>743,266</u>	\$ <u>1,052,216</u>

8. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 are restricted for the following programs:

	<u>2010</u>	<u>2009</u>
Resident services	\$ 36,497	\$ 111,928
Bridges to Housing	253,545	100,540
Trainings and conferences	154,903	236,035
Policy	26,158	3,757
Asset building	<u>131,095</u>	<u>29,414</u>
Total temporarily restricted net assets	\$ <u>602,198</u>	\$ <u>481,674</u>

9. RETIREMENT PLAN

The Organization established a retirement plan whereby all employees over 20 ½ years of age are eligible to participate. Employees may enter the plan on the first day of any month. The Organization makes discretionary contributions to the plan for employees with over 1,000 hours of service in the plan year. The Organization contributed \$34,610 during the year ended June 30, 2010, and \$23,284 during the year ended June 30, 2009. Amounts contributed by the Organization become 100% vested after the employee has performed three years of service.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

10. LEASE COMMITMENTS

The Organization rents office space under a one-year operating lease agreement in effect through June 30, 2011. For the years ended June 30, 2010 and 2009, rent expense approximated \$30,500 and \$29,600, respectively. Future minimum lease payments through June 30, 2011 total \$32,900.

11. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

12. RELATED PARTY DISCLOSURES

The Organization maintains cash balances approximating \$5.8 million at June 30, 2010 in three banks in which three board members are employed. In addition, during the year ended June 30, 2010, grants totaling approximately \$552,000 were awarded to three organizations in which board members of the Organization also serve on the boards of the recipient organizations. In accordance with the NP conflict of interest policy, board members disclose their conflicts prior to vote, and do not vote on matters which apply to parties with whom they have a relationship.

13. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions located in Portland. The balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2010 and 2009, uninsured balances approximated \$5,214,000 and \$2,585,000, respectively.

Credit risk for grants and accounts receivable is concentrated as well because at June 30, 2010 and 2009, respectively, 87% and 83% of the balances were from four entities.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

14. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis include a certificate of deposit of \$103,517 at June 30, 2009. Using level 2 inputs, fair value for the certificate of deposit is based on the amount reported by the financial institution that holds the funds.